

AMERICAN
BANKERS
ASSOCIATION

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GOVERNMENT
RELATIONS/
OPERATIONS AND
RETAIL BANKING

SENIOR FEDERAL COUNSEL
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8 July 1997

Director, Card Technology Division
Financial Management Service
U.S. Department of the Treasury
Room 526
Liberty Center
401 14th Street, SW
Washington, D.C. 20227

Dear Sir or Madam,

The American Bankers Association ("ABA") appreciates the opportunity to submit our comments on the Treasury Department's Financial Management Service's ("FMS") request for comment on a new regulation dealing with the direct federal electronic benefits transfer ("EBT") program published in the May 9, 1997 *Federal Register*. The proposal describes how FMS will implement EBT through the selection and designation of financial institutions as Financial Agents of Treasury and specifies the duties of such Financial Agents. ABA strongly supports FMS's proposal to designate financial institutions as Financial Agents of Treasury.

The ABA brings together all elements of the banking community to represent the interests of this rapidly changing industry. Its membership – which includes community, regional, and money center banks and holding companies, as well as savings associations, trust companies, and savings banks – makes ABA the largest banking trade association in the country.

Under the direct federal EBT program, Financial Agents provide recipients without bank accounts access to their benefit funds through a debit card usable at automated teller machines and point of sale terminals. No checks are issued. The Debt Collection Improvement Act of 1996 has made development of the direct federal EBT program more urgent. That statute requires that most federal government payments be made electronically by 1999.

The proposal explains how FMS intends to implement EBT through the selection and designation of financial institutions as Financial Agents of Treasury. Pursuant to federal law, the authority to disburse public money is limited to specific persons and entities. Financial institutions that have been designated by the Secretary of Treasury as Financial Agents of the Government are among entities authorized by federal law to carry out the disbursement function. The Omnibus Consolidated Appropriations Act of 1997 clarified the Secretary's authority to use financial institutions designated as Financial Agents for EBT. FMS is relying on this authority in

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proposing that financial institutions designated as Financial Agents of Treasury to be used to disburse public funds in the direct federal EBT program.

ABA strongly agrees with the proposed designation of financial institutions as Financial Agents of Treasury. This designation is consistent with federal law and ABA's long held position. The safety and soundness of the payment system and the public's perception of that safety and soundness are critical and should not be jeopardized. Financial institutions, because of their capital requirements, regulatory oversight, and deposit insurance, ensure a safe payment system. It is the ABA's view that any suggestion to include less regulated entities in the definition of Financial Agents is inappropriate since doing so will expose the payment system to unacceptable risks and threaten its integrity.

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ABA appreciates the opportunity to comment on this important matter and will continue working with the Treasury Department toward the development of EBT and other products advancing the electronic delivery of federal payments.

Sincerely,

A handwritten signature in cursive script, reading "Nessa Feddis".

Nessa Eileen Feddis